

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1530-01
Bill No.: SB 648
Subject: Economic Development; Education, Higher; Science and Technology.
Type: Original
Date: March 18, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Life Sciences Research Fund *	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

*** Offsetting income and expenses**

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Higher Education, Office of the State Treasurer** and the **City of Kansas City** each assume this proposal would not fiscally impact their agency.

Officials from the **Office of Administration - Budget and Planning (BAP)** state Section 172.955.1 allows the Missouri Development Finance Board to designate a life science funding district by majority vote upon receiving an application from a state university located within such district. This section also establishes the “Life Sciences Research Fund” within the state treasury to be administered by the board, which may consist of all new tax revenue and payments in lieu of taxes attributable to any life science company located within the taxing district. This may increase Total State Revenue.

BAP states that Section 172.955.3 allows the board to apply to the Department of Economic Development and Office of Administration for usage of new state revenues to fund life sciences projects. New state revenues are defined as, the incremental increase in the general revenue portion of state sales tax revenues from sales at retail by life sciences by companies and the state income tax

ASSUMPTION (continued)

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withheld on behalf of all employees employed at the facility located within a life sciences funding district by the life sciences companies. There is no impact to Total State Revenue, but this section could have a negative impact on the General Revenue Fund.

Officials from the **University of Missouri (UM)** state that with only a minor change in population in Boone County, the University of Missouri - Columbia would be unable to compete for funding. As it is currently written, SB 648 would also eliminate the University of Missouri - Rolla from any competition for funding. Therefore, the proposal could cost the University of Missouri System an unknown amount in future funding for life science research.

Officials from the **Department of Revenue (DOR)** state they must estimate the amount of state sales tax revenues and the amount of state income tax withheld on behalf of existing employees within the new districts. Businesses currently report withholding taxes by company, not by location of employees. This provision would require businesses within the districts to provide this data by location to DOR. Without some idea of the number of businesses involved in the project area, the number of locations, employees and system changes necessary to compile this data, there would be an unknown cost to DOR to implement this legislation.

Officials from the **Department of Economic Development (DED)** assume that due to the definitions of "new state revenues" there could be a negative impact in an unknown amount to state revenues. Otherwise, there would be no fiscal impact on DED itself.

Officials from the **Missouri Development Finance Board (MDFB)** assume this senate bill proposes that "life sciences funding districts" be formed and that "new tax revenues" and other monies be collected from life science companies within the district. The monies collected would ultimately be disbursed to a state university located within the district to be used for research in the field of life sciences. The MDFB assumes the following responsibilities from the proposal;

1. Authority to vote on the creation of the life science districts.
2. Upon the creation of the life science district, MDFB would be responsible for contacting the taxing jurisdictions about the new designation.
3. MDFB would administer the "Life Sciences Research Fund"—which would be established with the State Treasury.
4. MDFB would approve all University strategic plans for the use of the life science monies.
5. The Board would disburse monies to the state university facilities within the life science district.

ASSUMPTION (continued)

6. If insufficient funding is available from the life science district, MDFB would make

application for a portion of the state sales tax that is created within the life sciences district.

7. MDFB would engage/contract peer review of all life sciences projects.
 - a. National Institutes of Health
 - b. National Science Foundation

The MDFB assumes the need for one professional person to work with consultants to analyze proposals. Space and associated cost are also assumed as a need. The MDFB estimates the cost for the proposal would include the professional staff person (at \$55,000 annually), plus fringe benefits, \$150,000 of consultant fees, and expense and equipment. The MDFB assumes costs of roughly \$260,000 per year and assumes these costs are considered local.

Oversight assumes the MDFB will incur some costs with this proposal, but the amount is dependent upon the number of districts that are proposed and the number of projects within the proposed districts. Oversight assumes the costs incurred by the MDFB will be paid for out of the new Life Sciences Research Fund before the net proceeds of the fund are paid to the state universities. For purposes of the fiscal note, Oversight has listed the amount of the expenses as (Unknown).

Oversight also assumes the local new tax revenue and payments in lieu of taxes will be sufficient to operate the program. However, if the amount of local taxes collected and deposited into the Life Sciences Research Fund are insufficient, the MDFB can apply to DED and the Office of Administration for state funding in the form of the new state sales and income taxes attributable to the life science companies within the new districts. If so appropriated, this would result in a reduction to the General Revenue Fund.

Oversight assumes DOR would incur their unknown expense only if the above scenario occurred and they were required to determine baseline amount of income tax collections for life science companies within the district. Therefore, Oversight has not reflected this in the fiscal note.

Officials from **Southwest Missouri State University** assume they are unable to determine the fiscal impact from the proposal.

Officials from **Greene County, City of St. Louis, St. Louis County, Missouri Souther State College** and **Missouri Western College** did not respond to our request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2004	FY 2005	FY 2006
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LIFE SCIENCES RESEARCH FUND

Income - New tax revenue and payments
 in lieu of taxes attributable to any life
 science company located within a life
 sciences funding district

Unknown Unknown Unknown

Costs - Expenses of the Missouri Finance
 Development Board

(Unknown) (Unknown) (Unknown)

Costs - Payments to state universities for
 project costs

(Unknown) (Unknown) (Unknown)

**ESTIMATED NET EFFECT TO THE
 LIFE SCIENCES RESEARCH FUND**

\$0 **\$0** **\$0**

FISCAL IMPACT - Local Government

FY 2004 FY 2005 FY 2006

LOCAL TAXING JURISDICTIONS

Loss - of new tax revenue and payments
 in lieu of taxes by life science companies
 within specified life sciences funding
 districts paid to state Life Sciences
 Research Fund

(Unknown) (Unknown) (Unknown)

**ESTIMATED NET EFFECT TO
 LOCAL TAXING JURISDICTIONS**

(UNKNOWN) **(UNKNOWN)** **(UNKNOWN)**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal allows the Missouri Development Finance Board to designate a life sciences funding district within state universities. The Board must notify each taxing district located within a life sciences funding district of the designation. A "Life Sciences Research Fund" is established within the State Treasury and shall disburse all new tax revenues and payments in lieu of taxes to the state university within the life sciences funding district for the purpose of funding life sciences projects. If the new tax revenue and payments in lieu of taxes are deemed insufficient, the board may apply for new state revenues (incremental increase in state sales tax revenue and income tax revenue at the life sciences facilities within the new districts) to be appropriated to the new fund. State universities must submit to the Board a strategic plan that details the goals of the research prior to receiving any funds for the project.

This proposal contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Missouri Development Finance Board
Department of Revenue
Department of Higher Education
Office of the State Treasurer
Office of Administration
University of Missouri
Southwest Missouri State University

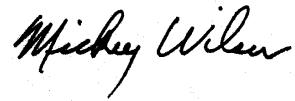
SOURCES OF INFORMATION (continued)

City of Kansas City

**NOT RESPONDING: Greene County, City of St. Louis, St. Louis County, Missouri
Souther State College, Missouri Western College**

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A handwritten signature in black ink, reading "Mickey Wilson". The signature is written in a cursive, flowing style.

MICKY WILSON, CPA
DIRECTOR
MARCH 18, 2003